

CONFIDENTIAL USE ONLY

27 FEBRUARY 1963

MEMORANDUM FOR: DEPUTY COMPTROLLER

SUBJECT : FINANCIAL REPORTING PERIODS

1. THIS AGENCY, AS DO OTHER AGENCIES AND MOST BUSINESS FIRMS, PREPARES ITS ACCOUNTING REPORTS ON A MONTHLY BASIS. SINCE THE MAJORITY OF BUSINESS FIRM TRANSACTIONS ARE RECORDED ON AN ACCRUED EXPENDITURE OR ISSUE BASIS, VERY LITTLE DIFFICULTY IS ENCOUNTERED BY THE MONTHLY TIMING FACTOR. GOVERNMENT AGENCIES, HOWEVER, MUST ALSO RECORD OBLIGATIONS. TO DO THIS, MUCH MANPOWER IS CONSUMED IN MANUALLY COMPUTING AND IN PUNCHING AND MACHINE RECORDING AN UNUSUALLY LARGE NUMBER OF ESTIMATED OBLIGATIONS TO COMPLETE THE PICTURE FOR THE MONTH.

2. THE MAJOR OBLIGATION ESTIMATING PROBLEM AT PRESENT IS IN CONNECTION WITH THE PAYROLL. WITH THE PAYROLL ON A BI-WEEKLY BASIS AND THE REPORTS ON A MONTHLY BASIS, WE MUST MANUALLY COMPUTE VARYING ODD DAY OBLIGATION AMOUNTS FOR EACH MONTH. THESE ESTIMATES ARE TRANSMITTED TO THE MACHINE PROCESS FOR INCLUSION IN THE REPORTS; THEY ARE SOON LIQUIDATED BY RECORDING THE ACTUAL BI-WEEKLY PAYROLL FOR THE PERIOD INCLUDING THE ODD DAYS. EXCEPT NEAR THE END OF THE FISCAL YEAR, THIS PROCEDURE PRODUCES RESULTS OF QUESTIONABLE VALUE.

3. THE COMPTROLLER POLICY IS TO HAVE THE MACHINE SYSTEM MAKE AS MANY COMPUTATIONS AS POSSIBLE THUS CONSERVING MANPOWER FOR ACTIVITIES NOT SUSCEPTIBLE TO MACHINE APPLICATIONS. IT IS BELIEVED THAT THE RCA 501 SYSTEM COULD COMPUTE THE ESTIMATED OBLIGATIONS PROVIDED A UNIFORM APPROACH COULD BE TAKEN. EITHER OF THE FOLLOWING ALTERNATIVES COULD PRODUCE UNIFORMITY:

- A. CHANGE THE REPORTING PERIOD FROM A MONTHLY BASIS TO A FOUR WEEK BASIS TO COINCIDE WITH THE PAYROLL PERIODS (13 REPORTS INSTEAD OF 12 FOR EACH FISCAL YEAR); OR
- B. ESTABLISH AN ARBITRARY POLICY CONCERNING THE RECORDING OF OBLIGATIONS THAT COULD BE APPLIED REGARDLESS OF THE NUMBER OF DAYS IN THE MONTH.

4. THE MAIN ADVANTAGE OF THE FIRST ALTERNATIVE IS THAT MACHINE PROGRAMS COULD BE PREPARED TO PRODUCE MORE TYPES OF FINANCIAL TRANSACTIONS BECAUSE OF THE UNIFORMITY IN REPORTING PERIODS. IT IS FELT THAT THE SAVINGS IN MANPOWER UNDER THIS ALTERNATIVE WOULD FAR EXCEED THE COST OF THE ONE ADDITIONAL REPORT EACH YEAR. THERE ARE SEVERAL, WHAT MIGHT BE TERMED, DISADVANTAGES. ALTHOUGH I FEEL THEY ARE MINOR IN NATURE AND EASILY CAN BE OVERCOME, THEY ARE LISTED FOR CONSIDERATION:

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- A. PRESENT MONTHLY PAYROLLS WOULD HAVE TO BE CONVERTED TO A FOUR WEEK BASIS.
- B. CERTAIN MONTHLY BILLINGS SUCH AS RENT, UTILITIES, AND TELEPHONE, WOULD HAVE TO BE CONSIDERED AS OBLIGATIONS AND/OR EXPENDITURES IN THE FOUR WEEK PERIOD IN WHICH PRESENTED.
- C. PERSONNEL STATISTICAL AND INVENTORY REPORTING MAY HAVE TO BE CONVERTED TO THE FOUR WEEK BASIS.

5. THE ADVANTAGES OF THE SECOND ALTERNATIVE ARE THAT IT MAINTAINS THE PRESENT REPORTING PERIODS, REQUIRES THE LEAST CONVERSIONS, AND WOULD BE SUSCEPTIBLE TO MACHINE PROGRAMMING. THE DISADVANTAGE LIES IN THE FAULTY MONTHLY OBLIGATION PICTURE THAT MIGHT RESULT FROM THE ARBITRARY APPROACH.

6. BECAUSE OF THE INTEREST IN MANPOWER UTILIZATION AND THE DESIRE TO ISSUE MORE TIMELY AND MEANINGFUL REPORTS, IT IS RECOMMENDED THAT THE TWO ALTERNATIVES IN PARAGRAPH 4 BE STUDIED WITH THE OBJECTIVE OF ADOPTING A MORE UNIFORM RECORDING AND REPORTING APPROACH BEGINNING WITH FISCAL YEAR 1964. EARLY CONSIDERATION OF THIS RECOMMENDATION IS DESIREABLE FOR TWO REASONS:

- A. SEVERAL DIVISIONS OF THE OFFICE OF THE COMPTROLLER AND, POSSIBLY, OTHER OFFICES HAVE AN INTEREST IN THIS PROBLEM; AND
- B. THE FISCAL DIVISION ACCOUNTING SYSTEM IS BEING PROGRAMMED FOR THE 501 COMPUTER BEGINNING WITH FISCAL YEAR 1964.

STATINTL

ACTING CHIEF, FISCAL DIVISION

2/28/63

C/TAS for review  
and comments - discuss  
with Finance.

RHF

3/20/63

Orig. ret'd to AC/Fiscal by  
RHF with note prepared by  
C/TAS. - Matter taken care  
of by telephone conversation  
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